

FUND BALANCE

Why is the level of Fund Balance important to the City?

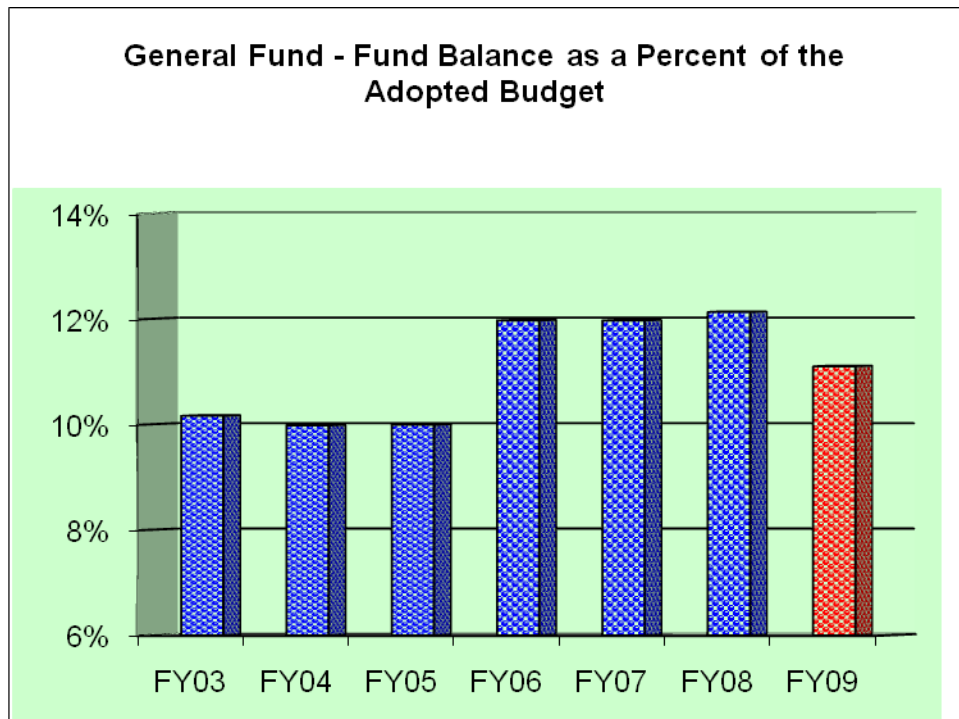
It is important to maintain fund balance in the major operating funds at a level that would be sufficient to provide a financial cushion in the event of unanticipated events, such as a loss or major reduction of a revenue source, a sudden economic downturn, or natural disasters.

For the General Fund, the North Carolina Local Government Commission strongly recommends an unreserved fund balance of 8% of fund appropriations, minus appropriations for debt service and transfers to other funds. Bond rating agencies regard the level of fund balance in the General Fund as one indicator of credit worthiness when considering bond ratings.

For the General Fund, appropriations from fund balance are generally subject to a City Council policy that limits such appropriations to the equivalent of four cents on the tax rate over the two-year budget cycle. The City's current policy is to also maintain a fund balance of 12%. For FY 2008-09 the City Council adopted a budget with a fund balance of 11.1%. The actual Undesignated Fund Balance will be determined following the annual audit of revenues and expenditures for FY 2007-08. The City does not have a Fund Balance policy for the Enterprise and Special Funds; however financial prudence dictates that these funds should also maintain a reasonable level of Net Cash Assets to cover unanticipated costs.

Estimated Change In Unrestricted Fund Balance – General Fund

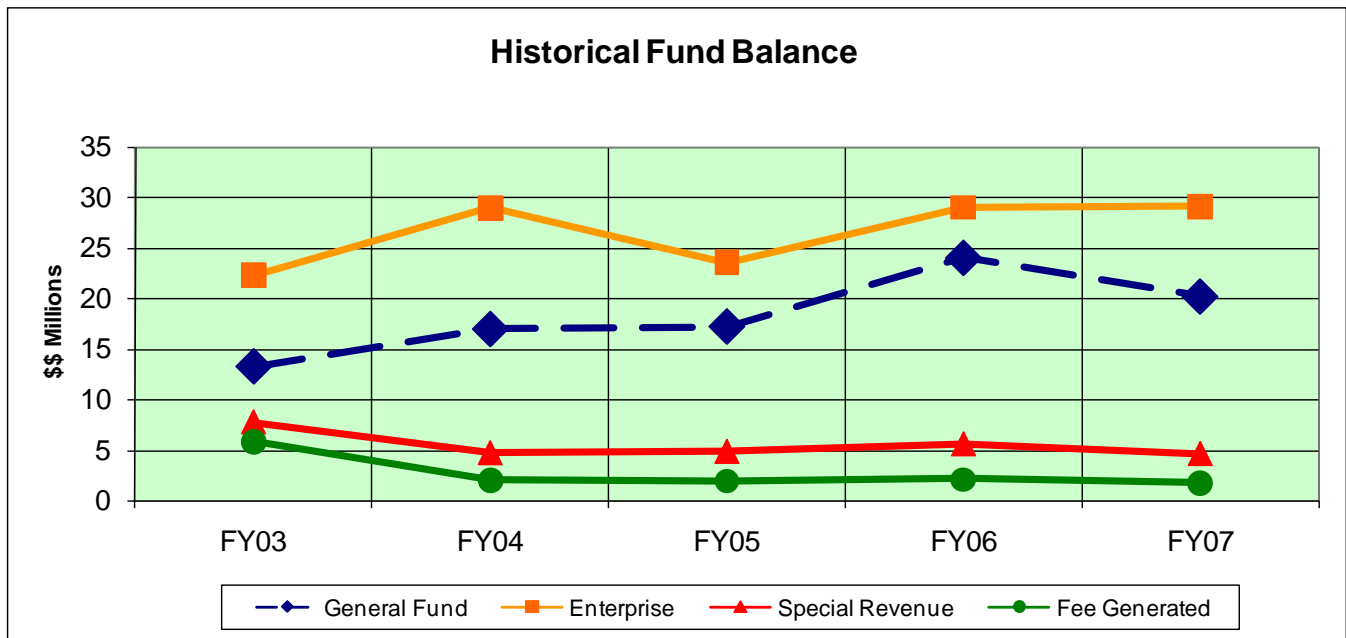
	Fund Balance Amount	Percent of Adjusted Appropriations
Total unrestricted fund balance available for appropriation at June 30, 2007	\$ 20,198,235	
Minus: appropriation from Fund Balance for subsequent year's expenditures	-	
Minus: designated for subsequent year's expenditures	(1,386,142)	
Total unrestricted fund balance at June 30, 2007	\$ 18,812,093	
Add: Estimated Addition/(Reduction) during FY 2007	-	
Total unrestricted fund balance available for appropriation at June 30, 2007	\$ 18,812,093	
Add: Grant/Project Close Outs and Return to Fund Balance	1,100,000	
Add: Estimated FY08 General Fund budgets returned to Fund Balance	3,194,151	
Minus: appropriation from fund balance for subsequent year's expenditures	(4,526,520)	
Total unrestricted fund balance at June 30, 2008	\$ 18,579,724	11.1%



Estimated Changes in Fund Balance – Appropriated Funds

	General Fund Unrestricted	Enterprise Funds (*)	Special Revenue Funds (*)	Fee Generated Funds (*)
Estimated Beginning Balance FY 08	\$ 20,198,235	\$ 29,136,734	\$ 4,612,102	\$ 1,703,154
Budget Revenues FY 09	209,728,729	104,127,294	3,788,503	10,309,411
Budgeted Expenditures FY 09	(193,214,293)	(102,774,451)	(6,482,184)	(5,375,026)
Transfers In	6,232,325	12,104,302	2,301,066	-
Transfers Out	(24,365,272)	(13,394,407)	206,000	440,641
Estimated Ending Balance FY 09	\$ 18,579,724	\$ 29,199,472	\$ 4,425,487	\$ 7,078,180

Percent of Adjusted Appropriations	11%	38%	84%	69%
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(*) Note: Transfers to specific capital project funds will impact the fund balance of Enterprise, Special Revenue and Fee Generated Funds. Enterprise fund balance is not inclusive of enterprise funds in capital project accounts.